

## Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 EB-11 SCEM-02 INT-08 DOTE-00 L-03 SS-15

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FPC-01 SCI-06 /097 W

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O 142155 Z JUN 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 1168

INFO AMCONSUL CALGARY UNN

AMCONSUL TORONTO UNN

AMCONSUL VANCOUVER UNN

AMCONSUL WINNIPEG UNN

UNCLAS OTTAWA 1378

E. O. 11652: N/ A

TAGS: ENRG, CA, US

SUBJECT: STATUS OF CANADIAN POLICY ON POSSIBLE TRANS- CANADA  
PETROLEUM PIPELINE

REF: STATE 111288; OTTAWA' S A-78

1. THIS RESPONSE TO REFTEL QUESTIONS, BASED ON CONTINUING DISCUSSIONS WITH GOC OFFICIALS AND PUBLIC RECORD, IS PRELIMINARY. ANSWERS TO SOME QUESTIONS INHERENT IN PIPELINE PROJECTS WILL DEPEND ON GOC REVIEW OF OVERALL ENERGY SITUATION. STUDIES ON THIS SUBJECT, INTENDED AS BASIS FOR PUBLIC DISCUSSION, ARE EXPECTED TO BE PUBLISHED END OF THIS MONTH. ANSWERS ARE IN SEQUENCE TO QUESTIONS RAISED PARA 4 REFTEL.

2. ENVIRONMENTAL STUDIES. ENVIRONMENTAL AND SOCIOLOGICAL STUDIES UNDER GOC' S \$20 MILLION PROGRAM WILL BE COMPLETED BY FALL. ALL WILL BE PUBLISHED THIS YEAR, OR IF NOT, DATA WOULD BE AVAILABLE FOR PROSPECTIVE PIPELINE APPLICANTS. OFFICIALS STATE GOC WILL BE READY BY END 1973 TO EXAMINE APPLICATIONS  
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FOR TRANSPORTATION PROJECTS ALONG MACKENZIE VALLEY WHETHER THESE BE GAS PIPELINE, OIL PIPELINE, HIGHWAY, OR RAILROAD.

3. NATIVE CLAIMS. GOC OFFICIALS ARE CONFIDENT NATIVE CLAIMS



CONSTITUTE NO BARRIER TO CONSTRUCTION OF PIPELINE. NEGOTIATIONS WITH NON- TREATY INDIANS IN YUKON, NOW GETTING UNDERWAY, EXPECTED TO TAKE ABOUT TWO YEARS, ARE LIMITED TO COMPENSATION AND CONSTITUTE NO IMPEDIMENT TO GRANTING PIPELINE RIGHT- OF- WAY. INDIANS ALONG MACKENZIE VALLEY, WITH RIGHTS UNDER TREATIES 8 AND 11, ARE ENTITLED TO LAND SETTLEMENT BUT HAVE YET TO SELECT LAND. EVEN IF INDIANS SHOULD SELECT LAND ALONG RIGHT- OF- WAY, TREATIES PERMIT GOC TO TAKE LAND FOR PROJECTS IN PUBLIC INTEREST UPON PROVISION OF SUBSTITUTE ACREAGE AND COMPENSATION FOR ANY IMPROVEMENTS. WE UNDERSTAND INDIANS SEEKING CHALLENGE TREATIES BUT LEGAL PRECEDENTS INDICATE TREATIES WILL BE UPHELD. POLITICAL QUESTION NEVERTHELESS REMAINS SINCE ELEMENTS OF CANADIAN PUBLIC SYMPATHETIC TO INDIANS FAVOR PIPE- LINE MORATORIUM UNTIL CLAIMS SETTLED.

4. PIPELINE OWNERSHIP AND CONTROL. IN HOUSE OF COMMONS MAY 22 ENERGY MINES AND RESOURCES MINISTER MACDONALD RESTATED BASIC GOC OBJECTIVE AS " TO GIVE OPPORTUNITY TO CANADIANS TO ACQUIRE 51 PERCENT OWNERSHIP." MINISTER MACDONALD HAS ALSO INDICATED HE EXPECTS OPERATIONAL CONTROL OF CANADIAN PORTION OF PIPELINE TO BE IN CANADIAN HANDS AND FOR CANADIANS TO SUPPLY MAJOR INPUTS IN PROJECT, INCLUDING DESIGN SERVICES. ARCTIC GAS PIPELINE CONSORTIUM ALREADY HAS INDICATED IT VIEWS 51 PERCENT CANADIAN EQUITY AS FEASIBLE. PIPELINE WOULD BE UNDER CANADIAN JURISDICTION, JUST AS PORTLAND, MAINE - QUEBEC, LAKEHEAD, AND GREAT LAKES GAS TRANSMISSION LINES SERVING CANADA ARE UNDER US JURISDICTION. UNLESS TERMS AND CONDITIONS OF OPERATION AND CONTROL OF THE PIPELINES WERE SATISFACTORY TO THE PRIVATE PARTIES CONCERNED, THEY WOULD NOT SEEM TO BE PRACTICAL PROPOSITIONS.

5. TIMING OF CONSIDERATION OF APPLICATIONS. GOC IS PREPARED CONSIDER APPLICATION AS SOON AS PIPELINE COMPANIES ARE READY TO FILE. GAS LINE APPLICATION EXPECTED THIS AUTUMN . FOR OIL PIPELINE GROUP, 12 TO 18 MONTHS OF INTENSIVE WORK WOULD BE REQUIRED TO PREPARE APPLICATIONS BASED UPON PRELIMINARY FEASIBILITY STUDY BY MACKENZIE VALLEY PIPE LINE RESEARCH LTD.  
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( OTTAWA A-78). OFFICIAL CONSIDERATION WOULD INCLUDE HEARINGS ON RIGHT- OF- WAY BY INDIAN AND NORTHERN AFFAIRS DEPARTMENT ( IAND) AND ON OTHER ELEMENTS BY NATIONAL ENERGY BOARD ( NEB) AND, IF FINDINGS FAVORABLE, FINAL DETERMINATION BY CABINET. ( PARLIAMENTARY APPROVAL NOT REQUIRED.) HEARINGS BY IAND AND NEB COULD BE COMBINED, AS FAVORED BY PIPELINERS, BUT THIS NOT YET DECIDED. HEARINGS, DECISION, AND CABINET APPROVAL EXPECTED TAKE FROM 12 TO 24 MONTHS.

6. FEDERAL/ PROVISIONAL JURISDICTION. THESE CONSIDERATIONS ARE NOT EXPECTED TO DELAY PIPELINE DECISION. INCREASING BELIEF IN CONSUMING PROVINCES SUCH AS ONTARIO THAT IN NEXT DECADE THEY WILL NEED ARCTIC OIL AS WELL AS GAS INCREASE



SUPPORT FOR PROJECT. ( RECENT GALLUP POLL ON MACKENZIE VALLEY GAS PIPELINE SHOWED 51 PERCENT OF THOSE AWARE OF PROJECT FAVORING IT AND 21 PERCENT OPPOSED. SUPPORT GREATEST IN WEST, BUT NEARLY TWICE AS MANY ONTARIANS FAVORED AS OPPOSED PROJECT.)

7. EFFECT OF GOVERNMENT'S MINORITY POSITION. LIBERAL GOVERNMENT (109 SEATS) ON MOST ISSUES HAS SUPPORT OF NEW DEMOCRATIC PARTY (31 SEATS), WHICH RECITES ECONOMIC, SOCIOLOGICAL AND ENVIRONMENTAL GROUNDS IN QUESTIONING PIPELINES. OPPOSITION PROGRESSIVE- CONSERVATIVES (107 SEATS) LIKELY SUPPORT PIPELINES ( UNLESS ISSUE SEEMED ONE ON WHICH THEY COULD PRECIPITATE ELECTION ON TERMS THEY CONSIDERED FAVORABLE). WEST COAST OIL POLLUTION ISSUE MAKES OIL PIPELINE, BECAUSE IT WOULD REMOVE ENVIRONMENTAL PROBLEM TO ANOTHER PART OF COUNTRY, MORE ATTRACTIVE IN SOME POLITICAL QUARTERS THAN GAS PIPELINE.

8. GOC CONSIDERATION OF GAS PIPELINE. GOC ON RECORD AS READY TO CONSIDER MACKENZIE VALLEY GAS PIPELINE APPLICATION WHEN CONSORTIUM IS READY TO FILE, WHICH CONSORTIUM STATES WILL BE THIS NOVEMBER.

9. OIL VERSUS GAS PIPELINE APPLICATION. OFFICIALS STATE OIL PIPELINE APPLICATION WOULD NOT APPRECIABLY DELAY CONSIDERATION OF GAS PIPELINE APPLICATION. SECOND APPLICATION COULD BE HEARD PRIOR TO DECISION ON FIRST, AND RESOLUTION OF ISSUES RELATED TO ARCTIC ENVIRONMENT AND PEOPLES IN FIRST DECISION COULD EXPEDITE SECOND. NEVERTHELESS, ACTIVE PROPONENTS OF MACKENZIE GAS PIPELINE INDICATE THEY WOULD

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WELCOME FINAL APPROVAL FOR ALYESKA LINE IN ORDER TO AVOID UNNECESSARY AND COSTLY DELAYS FOR THEIR OWN PROJECT. COMPETING PRIORITIES FOR OIL AND GAS PIPELINES STEM FROM ECONOMIC AND TECHNICAL RATHER THAN BUREAUCRATIC GROUNDS. FINANCING, INCLUDING CURRENCY TRANSFER PROBLEMS, AND AVAILABILITY OF LABOR, SPECIALIZED EQUIPMENT AND PIPE VIRTUALLY RULE OUT BEGINNING WORK ON BOTH PROJECTS AT ONCE, THOUGH ONE YEAR OVERLAP MIGHT OFFER SOME ADVANTAGES. WORK ON GAS PIPELINE IS MORE ADVANCED, FOR REASONS THAT INCLUDE RELATIVELY EASIER ENVIRONMENTAL REQUIREMENTS AND LARGE PROVEN GAS RESERVES IN CANADIAN NORTH. UNLESS AND UNTIL MORE OIL IS DISCOVERED IN CANADIAN NORTH - RESULTS SO FAR ARE EXTREMELY DIAPPOINTING - OIL PIPELINE THROUGHPUT FOR INDEFINITE TIME WOULD BE ALASKAN OIL ( AND, WHEN GAS PRODUCTION HAS BEGUN, NATURAL GAS LIQUIDS FROM CANADA). IN PRESENT SITUATION, INTERIM SUPPLY OF US PUGET SOUND AREA WITH CANADIAN OIL PENDING COMPLETION MACKENZIE VALLEY OIL PIPELINE LIKELY DIMINISH AVAILABILITIES FOR OTHER AREAS OF US NOW IMPORTING CANADIAN OIL, AND, AS LOCAL OIL INDUSTRY EXECUTIVE HAS POINTED OUT TO US, SUPPLY OF ALASKAN OIL TO US WEST COAST VIA MACKENZIE VALLEY WOULD BE CIRCUITOUS AND EXPENSIVE.



10. WE HOPE HAVE FURTHER INFORMATION TO REPORT NEXT WEEK.  
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